





# Form D-65 Partnership Return of Income

## INSTRUCTIONS

**NOTE:** For District tax purposes, taxpayers are not permitted to claim the additional federal 30 or 50 percent bonus depreciation nor the additional IRC section 179 expenses.

### A. Who must file a Form D-65, Partnership Return of Income?

Except for partnerships required to file an unincorporated business franchise tax return, DC Form D-30, all partnerships engaged in any trade or business in DC or which received income from sources in DC, must file a DC Form D-65.

The term "partnership" includes a limited partner, group, syndicate, pool and joint venture through or by means of which any business, financial operation, or venture is carried on. The following are excluded by law: 1) a corporation; 2) a trust or estate; or 3) an unincorporated business. The term "partner" includes a member of a syndicate, pool or joint venture.

If the return is filed on behalf of a syndicate, pool, joint venture or similar group, attach a copy of the agreement and all amendments to the agreement to the D-65.

A limited liability company is classified as a partnership. The only exception is if the IRS has classified you differently. Use the same classification on your DC return as you use on your federal return.

DC law does not allow a partnership to report or file as a corporation, nor for a corporation to report or file as a partnership.

### Who Must File Form D-30 Instead of Form D-65?

Every partnership which, during the taxable year, engaged in an "unincorporated business" as defined in paragraph (1) below, and which met the gross income threshold as stated in paragraph (2) below, must file a DC Form D-30, rather than Form D-65. If Form D-65 is filed instead of Form D-30, include an explanation.

**(1) "Unincorporated Business".** An unincorporated business is any trade or business, conducted or engaged in by any individual, whether resident or nonresident, statutory or common-law trust, estate, partnership, or limited or special partnership, society, association, executor, administrator, receiver, trustee, liquidator, conservator, committee, assignee, or by any other entity or fiduciary, other than a trade or business conducted or engaged in by any corporation. This includes any trade or business which if conducted or engaged in by a corporation would be taxable. Excluded is any trade or business which by law, custom, or ethics, cannot be incorporated or any trade or business where more than 80% of the gross income is derived from personal services actually rendered by individuals or members of the partnership or other entity in conducting or carrying on any trade or business in which capital is not a material income-producing factor.

A partnership with gross income of more than \$12,000 which leases real or personal property in DC, regardless of whether services are performed, (including professional partnerships) must file a DC Form D-30 instead of Form D-65.

**(2) Gross Income Requirement for Filing Form D-30.** A return must be filed by an unincorporated business if it has gross income from engaging in or carrying on any trade or business in DC plus any other gross income received from DC sources that amounts to more than \$12,000 during the year, regardless of whether it had net income. For filing purposes, the term "gross income" means gross revenue before deduction of cost of goods, expenses and other deductions allowable in the determination of net income.

### B. Period Covered

The return must be filed for calendar year 2005, or other taxable year beginning in 2005, covering the same period as that reported on the 1065 filed with IRS. Fill in the taxable year beginning and ending dates on page 1.

### C. Where and When to file

File your Form D-65 with the Office of Tax and Revenue, PO Box 447, Washington, DC, 20044-0447, by the 15th day of the 4th month following the ending date of the taxable year entered at the top of the Form D-65. For calendar year filers, your date is April 15th.

If requesting an extension of time to file, submit DC Form FR-128, Extension of Time to file DC Franchise or Partnership Return, by the due date of your return. **Do not use the federal extension of time to file form.**

### D. Signature

The return must be signed by a partner or member. If receivers, trustees in bankruptcy, or assignees are in control of the property or business organization, they must sign the return.

When the return is prepared by someone (for compensation) other than a member or an employee of the partnership, they must sign as the preparer at the bottom of page 2 of the D-65.

### E. Methods of accounting

Use the same method of accounting on your D-65 as you use on your federal tax return.

### F. Items exempt from tax

All items of income received and claimed as exempt from tax must be explained in a copy of Schedule K of the federal Form 1065. Attach a copy to your D-65. Some items of this type are:

- (1) Tax-Free Interest.** Attach a statement reporting interest on:
- (a) obligations of a state, territory of the United States or any political subdivision thereof, or DC; and
  - (b) obligations of the United States, its agencies, or instrumentalities

**(2) Proceeds From Life Insurance Policies.** In general, proceeds of life insurance policies paid to the partnership due to the death of a partner are exempt. However, if any part of the proceeds is held by the insurer under an agreement to pay interest, the interest is taxable.

### G. Information at source

Every partnership that in the course of its trade or business, during calendar year 2005, pays (1) interest, rents, commissions, or other fixed or determinable income of \$600 or more, or (2) salaries and wages of \$600 or more, must submit copies of federal Forms 1096 and 1099 unless the payment is specifically exempted by Title 9, DCMR 111.2.

### H. Attachments

Attach a copy of your federal Form 1065 to your DC Form D-65. Also attach copies of the schedules and statements filed with the Form 1065. Include a schedule showing the pass-through distribution of income for members of the partnership, and the completed federal K-1 schedule.